UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
---X
MPD ACCESSORIES, B.V.,

Plaintiff,

Civil Action No.: 12 CV 6501 (LTS)(KNF)

v.

URBAN OUTFITTERS, INC.,
GMA ACCESSORIES INC., *et al.*

Defendants.
---X

DEFENDANTS' MEMORANDUM OF LAW IN OPPOSITION TO SUMMARY JUDGMENT

Preliminary Statement

MPD Accessories B.V. (hereinafter "MPD") has filed a Motion for Summary Judgment on the issues of validity of copyright, copying, damages, injunctive relief, and recall. Defendants respectfully submit that (a) MPD has not established that it owns the copyright to the design that was printed by the Tongshi factory in China; (b) even if MPD did contribute to the design, so did Tongshi, making it a joint author; (c) joint authors have the authority to sell the designs; (d) Tongshi's sale of the subject scarves to defendant GMA, absolves both defendants of liability under the First Sale Doctrine.

Statement of Facts

MPD is an Amsterdam based company that claims to have hired a factory in China to produce scarves for it in 2011. The name of this factory was Huang Zhou Tongshi Silk Co., Ltd. (hereinafter "TONGSHI"). MPD claims that Corine Kamp, one if its two designers, traveled to China in 2011, prepared a sketch of a design while there, gave it to Tongshi, and returned to

This fact came out during pointed questioning from the bench during a hearing on a temporary restraining order held before Hon. Laura Taylor Swain on October 3, 2012. A quick read of the papers in support of MPD's TRO application, might lead a reader to conclude that MPD's allegations about sales to a distributor in Florida pertained to the designs that are the subject of this lawsuit, but this is not the case.

Amsterdam. See pertinent portions of Kamp testimony @ Docket Entry 136-2. Thereafter, Tongshi produced scarves containing both the star and stripe designs that are the subject of this case. MPD never sold any of these two designs in the United States, though MPD alleges that it sold scarves with other designs to a particular retailer located in Florida.[1]

Tongshi sold a small quantity of the scarves that it manufactured to defendant GMA Accessories, Inc. in the United States. GMA then resold the same scarves to defendant Urban Outfitters, Inc.

During the deposition on August 27, 2013, Ms. Kamp testified that Kate Chen was employed by a factory located in China that manufactured the subject scarves. MPD had previously argued in its complaint and preliminary injunction motion that the sole artwork submitted to the factory was contained in a document that was marked as Exhibit Q during the deposition of MPD's CEO, Menno Menke. See Docket Entry 139-1.

When Ms. Kamp was asked on August 27 whether she provided anything additional to the factory other than Exhibit Q, she explained the creation of a sketch in a room in China which she handed to Kate. Docket Entry 139-2.

At no point prior to Kamp's August 27, 2013 testimony, had MPD indicated that the sketch created by Kamp (which it now claims is missing) was used in the creation of the designs. To wit, this testimony by Kamp on August 27, 2013, that the sketch was created and handed to Tongshi at the time of MPD's commissioning of the scarves to be produced, conflicts with prior affidavits and testimony which stated that the designs were created exclusively from color printouts which were attached to papers filed in support of a temporary restraining order.

Responding to pointed questions on efforts to obtain the scarf from the China factory, Ms. Kamp testified that between the time that she handed the sketch to Kate Chen in China and today, nobody from MPD has asked her for a copy of the drawing. See transcript page 130:14-23 @ Docket Entry 139-2. Accordingly, Mr. Menke's certification that it has "even checked with the factory, a third party, to see if it has any such alleged design, and it has represented that it does not" is conflicting with the Kamp testimony. Docket Entry 139-4.

On October 24, 2013, Plaintiff advised the Court of this apparent conflict, explaining that the conflicting versions would only make sense if Mr. Menke attempted to obtain the missing sketch from the factory after Ms. Kamp advised on August 27, 2013 that MPD had made no such efforts. The very next day after this letter application was filed, without even waiting for the Court to rule, MPD filed the instant motion for summary judgment.

On October 28, 2013, Magistrate Judge Fox Ordered MPD to provide the dates of the inquiry. Docket Entry 148. On October 31, 2013, MPD claimed that the MPD did attempt to obtain a copy of the sketch in December of 2013, i.e. prior to Ms. Kamp's sworn testimony that no efforts were made to obtain the sketch. Docket Entry 150. Defendants thereafter requested more time to respond to MPD's motion for summary judgment beyond the November 12 due date, without the need to burden the Court with an application, MPD refused.

At one point, MPD's CEO Menke testified that the head of MPD's design department, and indeed a shareholder of MPD, Joris Drontmann, assisted Kamp in the creation of one of these designs. Kamp in her deposition, disagreed with this testimony, arguing that Drontmann did not assist her.

Argument

Point I

Summary Judgment is improper where as here the Plaintiff's allegations of the circumstances of purported creation are inconsistent and conflicting

> Summary judgment is to be granted in favor of a moving party if "the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed.R.Civ.P. 56(a); *see also Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986) (the moving party bears the burden of establishing that there is no genuine issue of material fact).[2] A fact is considered material "if it might affect the outcome of the suit under the governing law," and an issue of fact is a genuine one where "the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Holtz v. Rockefeller & Co. Inc.*, 258 F.3d 62, 69 (2d Cir.2001) (quoting *Anderson*, 477 U.S. at 248).

L.A. Printex Indus., Inc. v Le Chateau, Inc., 2012 Copr L Dec P 30226 (S.D.N.Y. 2012)

"Assessments ***57** of credibility and choices between conflicting versions of the events are matters for the jury, not for the court on summary judgment." *Rule v. Brine, Inc.*, 85 F.3d 1002, 1011 (2d Cir.1996); *see also Globecon Group, LLC v. Hartford Fire Ins. Co.*, 434 F.3d 165, 174 (2d Cir.2006) ("[C]redibility, in the ordinary course of things, is for a fact-finder to evaluate."). *R.F.M.A.S., Inc. v Mimi So*, 619 F Supp 2d 39, 56-57 (S.D.N.Y. 2009).

To prevail on a claim of copyright infringement, MPD must establish: “(I) ownership of a valid copyright; and (ii) unauthorized copying of the copyrighted work.” *L.A. Printex Indus., Inc. v Le Chateau, Inc., supra, citing Jorgensen v. Epic/Sony Records*, 351 F.3d 46, 51 (2d Cir.2003).

It is respectfully submitted that the conflicting versions of (a) how MPD purportedly created the instant designs, either from printouts attached to its initial affidavits or a sketch (never produced) that was delivered to a factory in China; and (b) who created the designs, Ms. Kamp by herself or Ms. Kamp with the assistance of Mr. Drontmann, or the Tongshi factory, requires denial of the motion for summary judgment.

> “[I]t is a settled rule that credibility assessments, choices between conflicting versions of the events, and the weighing of evidence are matters for the jury, not for the court on a motion for summary judgment.” *Yurman Studio, Inc.*, 591 F.Supp.2d at 482 (internal punctuation omitted); *accord Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986). For that reason, courts are generally “wary of granting summary judgment in copyright infringement cases because of their highly fact specific nature.” *Yurman Studio, Inc.*, 591 F.Supp.2d at 496 (citing *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 977 (2d Cir.1980)).

Heritage Lace, Inc. v Fresh Finds, LLC, 2012 WL 345904 (S.D.N.Y. 2012).

. “Only one genuine issue of material fact is needed to defeat a motion for summary judgment”. *Heritage Lace, Inc. v. Fresh Finds, LLC, supra, citing Intelifuse, Inc. v. Biomedical Enters.*, No. 05 Civ. 8093(LTS)(DFE), 2009 WL 3075803, at *7 (S.D.N.Y. 2009).

Point II

The first sale doctrine is a complete defense to MPD's claims

"Where, as here, copies are manufactured abroad with the permission of the copyright owner", there is a complete defense to a copyright infringement claim pursuant to what has become known as the "first sale" doctrine. *John Wiley & Sons, Inc. v. Kirtsaeng*, 713 F.3d 1142 (2d Cir. 2013) quoting *Kirtsaeng v. John Wiley & Sons, Inc.* U.S., 133 S.Ct. 1351, 1358 (2013).

> To come within the scope of section 109(a), a copy or phonorecord must have been 'lawfully made under this title,' though not necessarily with the copyright owner's authorization. For example, any resale of an illegally 'pirated' phonorecord would be an infringement but the disposition of a phonorecord legally made under the compulsory licensing provisions of section 115 would not." *Kirtsaeng v. John Wiley & Sons, Inc.* U.S., 133 S.Ct. 1351, 1358 (2013) quoting H.R.Rep. No. 94–1476, at 79 (emphasis added). Accord, S.Rep. No. 94–473, pp. 71–72 (1975).

Kirtsaeng v John Wiley & Sons, Inc., 133 S Ct 1351, 1370, 185 L Ed 2d 392 (2013).

The inference taken in a light most favorable to the defendants here it is respectfully submitted shows that Tongshi is either the creator or at a minimum a joint author. See Declaration of Nadia Mirza dated November 12, 2013 and accompanying exhibits.

Under the joint authorship standard in this circuit, as long as the joint authors are collaborating with eachother and contributing portions of the unitary whole, they are considered joint authors. See e.g. Childress v. Taylor, 945 F.2d 500, 505 (2d Cir. 1991). In Childress the authors were disputing amongst eachother. Here there is no such dispute. The evidence suggests either that Tongshi was the sole author, or, if one of the conflicting versions of MPD's story is to be credited, then each contributed artwork to the design. In either circumstance, a reasonable juror could find Tongshi to be an owner with the right to sell to GMA, invoking the first sale doctrine.

Point III

There is no basis for injunctive or equitable relief

> The Copyright Act provides that courts "may" grant injunctive relief "on such terms as it may deem reasonable to prevent or restrain infringement of a copyright." 17 U.S.C. § 502(a). An injunction, however, is not mandatory and does not automatically follow a determination that a copyright has been infringed. *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 392–93, 126 S.Ct. 1837, 164 L.Ed.2d 641 (2006). "A copyright plaintiff seeking a permanent injunction still must satisfy the traditional four-factor test before the district court may use its equitable discretion to grant such relief." *Warner Bros. Entm 't Inc. v. RDR Books*, 575 F.Supp.2d 513, 551–52 (S.D.N.Y.2008). A plaintiff must demonstrate:
> ***11** (1) that it will suffer an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

Pearson Educ., Inc. v. Ishayev, 2013 WL 3948505 (S.D.N.Y. 2013)

MPD concedes that it made no sales of the subject scarves to any United States entity. MPD does not identify any lost customers and indeed it could not as there were never even any attempts to sell the subject scarves to a United States customer or any customer of MPD that purchased from any defendant. The quantity of the scarves that were purchased by defendants were small and there is not a shred of evidence that either defendant in this matter has purchased or would have considered purchasing from MPD. Indeed MPD has never done business with any United States company but for a single company in Florida to whom it sold or attempted to sell unrelated designs.

MPD does not dispute that the defendants have not sold either of the instant designs in over a year and there is no attempt to satisfy any of the factors necessary for the Court to order an injunction or recall.

Point IV

The Defendants Calculation of Overhead Should not be Stricken Based on MPD's Allegations That a Jury would not believe them

Defendants have calculated overhead costs by determining its most recent total overhead percentage and multiplying that by the sales in this case. See Declarations of George Altirs and Frank Conforti dated February 8, 2013 and Declaration of Charen Kim dated November 11, 2013. Plaintiff has argued, without supporting evidence, that these calculations are not credible. It is respectfully submitted that the calculations are proper.

Courts have found that overhead costs may properly be calculated as a proportion of total sales. *See, e.g., In Design v. K–Mart Apparel Corp.*, 13 F.3d 559, 566 (2d Cir.) (collecting cases), *overruled on other grounds, Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994); *Dolori Fabrics, Inc. v. Limited, Inc.*, 662 F.Supp. 1347, 1356 (S.D.N.Y.1987) (calculating "overhead costs by determining what percentage of its total sales revenues was represented by overhead costs" and then multiplying that figure by sales price of infringing product); *see also Aitken, Hazen, Hoffman, Miller, P.C. v. Empire Coast Co.*, 542 F.Supp. 252, 265–66 (D.Neb.1982).

Also credibility of the calculations is not typically determined is typically for the trier of fact. *See Hamil Am. Inc.*, 193 F.3d at 92, 105 ("[t]he reasonableness of the proffered overhead allocation formula is a question of fact in all cases"); *see Warner Bros., Inc. v. Gay Toys, Inc.*, 598 F.Supp. 424, 431 (S.D.N.Y.1984) ("[o]verhead which does not assist in the production of the infringement should not be credited to the infringer, that which does, should be; it is a question of fact in all cases") (quoting *Sheldon v. Metro–Goldwyn Pictures Corp.*, 106 F.2d 45, 54 (2d Cir.1939) (Learned Hand, J.)).

Conclusion

WHEREFORE, it is respectfully requested that MPD's motion for summary judgment be denied.

Dated: New York, NY
November 12, 2013

Respectfully submitted,
THE BOSTANY LAW FIRM, PLLC

__s/John P. Bostany/___________
By: John P. Bostany
Charen Kim
Attorneys for Defendants
75 Wall Street, Ste. 24F
New York, New York 10005
(212) 530-4400